Raine&Horne
Lower North Shore

THIS WEEK · LOWER NORTH SHORE PLAYBOOKS

The Wealth-Building Playbook Has Changed

What the 2026 capital gains tax and negative-gearing reforms mean for property investors — and where the noise is louder than the substance.

Tuesday 28 July 2026

David Howe

Partner Agent · **Team Howe**

Raine & Horne Lower North Shore

For twenty-five years, the arithmetic of Australian property investment barely moved. Buy, hold for more than a year, deduct your losses against your income along the way, and halve your capital gain when you sell. That framework shaped how a generation built wealth. In 2026 it was rewritten — and for the first time in a long time, the tax outcome depends heavily on what you buy.

The Treasury Laws Amendment (Tax Reform No. 1) Act 2026 received Royal Assent on 26 June 2026. Two of the levers investors have leaned on for decades — the 50% capital gains tax discount and negative gearing — have changed. Here is what changed, who it touches, and the parts worth reading twice.

> “For the first time in a long time, the tax outcome depends heavily on what you buy.”

The two changes that matter

First, the 50% CGT discount is going. From 1 July 2027, the general 50% discount is replaced by cost-base indexation with a 30% minimum tax on real gains. In plain terms: instead of being taxed on half your nominal gain, you are taxed on your real gain — the slice left after inflation is stripped out — but at up to your full marginal rate, with a 30% floor. This applies broadly: shares, crypto, units in trusts, and established investment property.

Second, negative gearing is being narrowed. From 1 July 2027, negative gearing on established residential property is abolished for properties bought after 7:30pm on 12 May 2026. Those losses don’t vanish entirely — they can still be offset against other property income or against future capital gains — but they can no longer be deducted against your salary each year, which is the mechanism most investors were relying on.

Both changes push in the same direction, and both leave one category untouched.

AT A GLANCE

30%
Minimum CGT on real gains

23.5%
Effective CGT — new builds

1 Jul 2027
Reforms take effect

Why new-build property now stands on its own

Eligible new-build residential property is carved out of both reforms. An investor in a qualifying new build keeps negative gearing, so annual losses remain deductible against all income; and keeps a choice at sale, electing either the old 50% discount or the new indexation method — whichever produces the lower tax bill. No other asset class gets that choice.

ASSET CLASS	CGT TREATMENT FROM 1 JULY 2027	EFFECTIVE CGT AT TOP RATE
Shares & crypto	Cost-base indexation + 30% minimum	Up to 47% (on the real gain)
Gold & silver	Cost-base indexation + 30% minimum	Up to 47%
Established investment property	Cost-base indexation + 30% minimum	Up to 47%
New-build investment property	Choice: 50% discount OR indexation	**As low as 23.5%**
Other assets	Cost-base indexation + 30% minimum	Up to 47% on real gain, 30% floor

The 23.5% figure is simply the top 47% marginal rate (including the Medicare levy) applied to half a gain under the 50% discount.

"New-build residential property is the only mainstream asset that keeps both the annual tax shield and the concessional exit."

Before anyone gets carried away

This is the part the headlines skip.

- **If you already own, you are largely protected.** Existing owners — and anyone under contract before 12 May 2026 — are grandfathered, and the old rules keep applying to those holdings. You don't need to act, and you shouldn't be talked into selling a sound asset to "get ahead of" a change that doesn't reach it.
- **Indexation is not automatically the villain.** Taxing only the real gain can, over a long hold or through a high-inflation stretch, produce a smaller bill than the 50% discount on a nominal gain. That is precisely why new builds were handed the choice rather than locked into one method.
- **"New build" has a precise meaning.** It generally means a new dwelling on vacant land, or a knock-down that replaces one dwelling with more than one. A freshly renovated house is not a new build. Confirm the definition before you rely on the treatment.
- **Tax is a tailwind, not a thesis.** The best tax treatment in the country will not rescue an overpriced property in a weak location. New stock often carries a price premium, and off-the-plan brings its own risks — settlement valuations, completion, developer quality. A well-bought established home can still out-perform a poorly bought new one once everything is counted.
- **Get it in writing from the right people.** The numbers move with your marginal rate, your holding period, inflation, and a quantity surveyor's depreciation schedule. An accountant models your position; a QS quantifies the depreciation. This piece is general information, not tax or financial advice.

The bottom line

DAVID'S TAKE

The reform does not end property investment — it sharpens it. It rewards new supply, which is the stated policy intent, and it strips two long-standing advantages from established investment stock bought from mid-2026 onward.

If you already hold, your position is protected. If you are buying to invest, the after-tax case for a qualifying new build is now materially stronger than for anything else on the shelf — provided the asset underneath stands up on its own merits.

That final clause still does the heavy lifting. The playbook changed. The discipline behind a good purchase did not.

David Howe

Team Howe · Raine & Horne Lower North Shore

Sources: ATO — Reforming negative gearing and capital gains tax. Treasury, Budget 2026–27 (Tax reform). Treasury Laws Amendment (Tax Reform No. 1) Act 2026, Royal Assent 26 June 2026. Figures are general in nature; confirm your position with a qualified accountant.

Let’s Talk

If you're weighing up an investment purchase under the new rules, we'd welcome a conversation — and a clear read on how the 2026 reforms affect your position.

There's no obligation — just straight information you can use, whether you buy now, later, or not at all.

David Howe
Partner Agent · Team Howe

Charles Tang
Team Howe

David Howe

PARTNER AGENT

M 0417 088 833

E davidh@lns.rh.com.au

SCAN TO SAVE CONTACT

Charles Tang

TEAM HOWE

M 0468 433 999

E charlest@lns.rh.com.au

SCAN TO SAVE CONTACT

Raine&Horne
Lower North Shore

Raine & Horne Lower North Shore · **140 Sailors Bay Road, Northbridge NSW**